

**Business Times - August 25, 2006**

[isco.bizjournals.com/sanfrancisco/stories/2006/08/21/daily43.html](http://isco.bizjournals.com/sanfrancisco/stories/2006/08/21/daily43.html)

## Insurers feeling the heat of climate-change

S

Business Times - 9:28 AM PDT Friday by [Chris Rauber](#)

Insurance is making things increasingly uncomfortable for the insurance industry.

The world's largest insurance companies and brokerages, including giants such as **AIG**, **Fireman's Fund Insurance Co.**, and the international brokerage **Marsh & McLennan**, are concluding that climate change is not just a scientific fact. It's a business reality that they've had to deal with, mitigated -- and perhaps even profited from.

The main message of a report released this week by Boston-based Ceres, an investor and environmental coalition that includes large institutional investors and other organizations, including **PG&E**, **PG&E Electric Co.**, **Bank of America**, the **Sierra Club**, **Catholic Healthcare West** and nutrition bar maker **Clif Bar**.

The insurance industry, which as recently as two years ago paid scant attention to climate change, was shaken by catastrophic insured losses in 2004 and 2005, according to the report. It said those years saw a record \$75 billion, including \$45 billion from Hurricane Katrina.

The report was co-written by **Lawrence Berkeley National Laboratory** scientist Evan Mills, and former **Eugene Lecomte** -- said climate change ultimately threatens to bankrupt even the most profitable insurers and government-run insurance programs unless steps are taken to reduce warming caused by carbon-based emissions or greenhouse gases.

On the flip side, the report -- "From Risk to Opportunity: How Insurers Can Proactively and Profitably Manage Climate Change" -- said the insurance industry "is uniquely positioned to further its understanding of climate change and advance forward-thinking solutions to minimize its risks."

The report said nearly 200 products or services are offered by insurers or brokers globally, more than half in the United States, that attempt to reduce emissions and energy use. They include:

- Fireman's Fund's planned introduction this fall of "green" coverage for commercial buildings that are certified as environmentally friendly and structurally sound or that are rebuilt to those standards after being damaged.

- AIG's loss prevention efforts. Steps taken by insurer **FM Global** helped policyholders avoid an estimated \$500 million in damages from Katrina, after 500 commercial locations spent just \$2.5 million on pre-hurricane protective measures.

- Marsh's emission credit guarantees and other renewable energy-related products from Marsh, AIG and other major industry players.

Fireman's Fund has asked regulators to approve its new "green" coverage, including rate credits or premiums for commercial building owners whose buildings are certified as environmentally friendly and discounts for green rebuilds or retrofits of damaged structures.

"It's not like that is simply better for us to insure," CEO Charles Kavitsky said.

*This story covers the insurance industry for the San Francisco Business Times.*

[For more](#) | [Need Assistance?](#) | [More Latest News](#) →

[Subscribe or renew online](#)

Copyright © 2006 of this site © American City Business Journals Inc. All rights reserved.